



**THE
CROW'S NEST PASS COAL
COMPANY, LIMITED**

Established 1897

FERNIE, BRITISH COLUMBIA

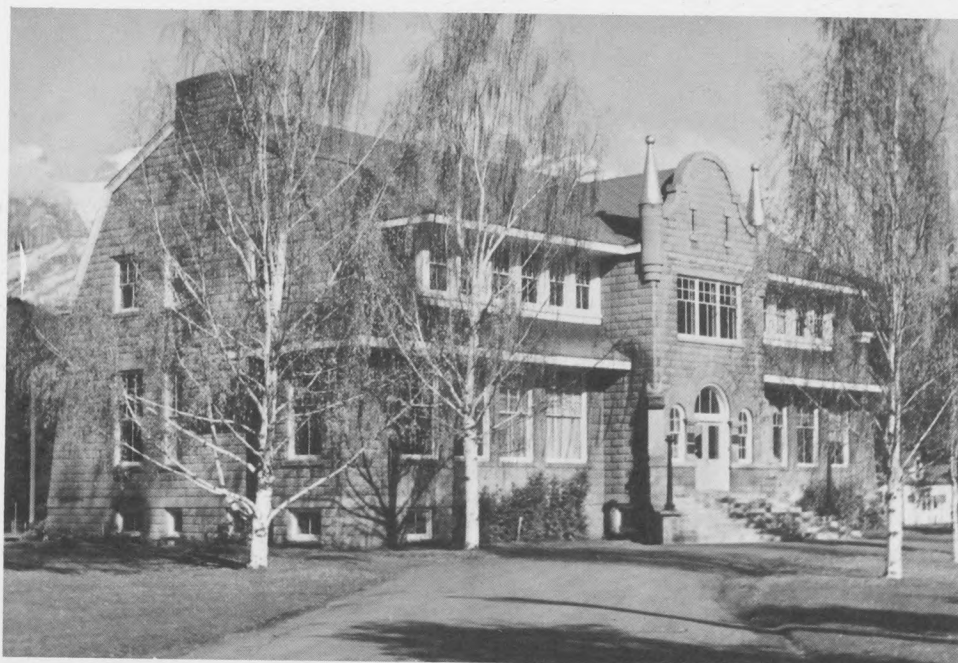
*Sixty - Fifth
Annual Report*

**FOR THE YEAR ENDED
DECEMBER 31, 1961**



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THE CROW'S NEST PASS COAL COMPANY, LIMITED

Board of Directors

C. A. ECKART

C. O. JENKS

T. G. EWART

C. H. KREIENBAUM

T. F. GLEED

F. D. PRATT

D. E. SKINNER

Officers

THOMAS F. GLEED ----- Chairman

T. G. EWART ----- President

F. D. PRATT ----- First Vice-President

C. A. ECKART ----- Second Vice-President

W. R. PRENTICE ----- Secretary

J. F. CLEEVE ----- Treasurer

J. E. MORRIS ----- Superintendent of Operations

Auditors

CLARKSON, GORDON & Co.

Calgary, Alberta

Transfer Agents

CANADA PERMANENT TORONTO GENERAL TRUST COMPANY

Toronto, Ont.

BANKERS TRUST COMPANY

New York, N.Y.

Registrars

NATIONAL TRUST COMPANY, LIMITED

Toronto, Ont.

MANUFACTURERS HANOVER TRUST COMPANY

New York, N.Y.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

REPORT TO THE SHAREHOLDERS

Fernie, British Columbia,

March 31, 1962.

We submit herewith the sixty-fifth Annual Report of your Company for the year ended December 31st, 1961, together with Balance Sheet and Statement of Profit and Loss and Earned Surplus certified by your Auditors, Clarkson, Gordon & Co. For ease of comparison, figures showing the results for 1960 have been included in these statements. A further statement shows the source and application of funds accruing to this company during the year.

INCOME

The consolidated net profit for the year after provision for taxes, depletion and depreciation was \$827,358 which is an increase of \$205,155 over the previous year. It should be noted that your accounts this year are the consolidated accounts of The Crow's Nest Pass Coal Company, Limited and all its wholly owned subsidiaries. The profit for the year 1961 is equivalent to \$1.06 per share on the \$8.00 par value shares of the company.

STOCK SPLIT

The Shareholders of the Company on December 18th, 1961, approved an amendment to the Company By-Laws which provided for sub-dividing the capital of the Company into shares of the par value of \$8 each. As a result, shareholders have received one additional share for each four previously held.

DIVIDENDS

Distributions to shareholders during 1961 were equivalent to 75 cents per share on the \$10 par value shares of the Company. We are informed that under the Income Tax Act, shareholders residing in Canada may not deduct any percentage of the dividends declared and paid in 1961 on account of depletion in computing their income tax returns.

It is the intention of the Board to continue the semi-annual payment of regular dividends on the \$8 par value stock at the annual rate of sixty cents (60c) per share, supplemented by such extra dividends as may be warranted by the earnings and financial condition of the Company. In accordance with the above policy, an extra dividend of fifteen cents (15c) per share on the \$8 par value shares was paid on March 15, 1962 to shareholders of record February 20, 1962.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

INVESTMENTS

Your Company, as of the close of business on December 31, 1961, had investments of \$689,507 in Dominion of Canada bonds at varying maturity dates.

Shares of other companies as shown on the Balance Sheet consist of 45,900 shares of the common stock of The Calgary & Edmonton Corporation Limited and 60,000 shares of the common stock of The Granby Mining Company Limited.

CAPITAL EXPENDITURES

The net capital expenditure made by this Company and its wholly owned subsidiaries during the year amounted to \$1,096,412. Expenditures were incurred primarily for the construction of new coal preparation facilities and for the introduction of new mechanized methods of operation in the Colliery.

The addition to your preparation plant facilities at Michel Colliery should achieve normal operation next month.

The experiment in mechanization of an area in the Michel Colliery is proving up to expectations. This program is therefore being extended in 1962 by the introduction of two additional mechanized units. While this will require substantial capital expenditures for the year, further reduction in cost of production can reasonably be expected.

PRODUCTION

Coal mined amounted to 792,050 tons as compared with 672,705 tons in 1960. Coke produced amounted to 140,344 tons compared with 131,422 tons in 1960. Lumber sawn amounted to 13,178,458 FBM as compared with 7,512,734 FBM in 1960. Oil production was 263,877 bbls. as compared with 264,733 bbls. in 1960.

MARKETS

Sales of coal during the year showed an increase of 23.99% over 1960. This was due, primarily, to the continued market acceptance of the Company's coking coal in Japan. The maximum subvention allowance payable to the Company in respect of Japanese sales will be reduced from \$4.50 per ton to \$3.50 per ton, effective April 1, 1962. Despite this, satisfactory arrangements have been completed to continue present export sales to Japan for the twelve months commencing April 1, 1962. The Company's other markets for coal, and its sales of coke, are being maintained at recent levels. The market for lumber increased during the year.

OIL DEPARTMENT

Attached to the financial statement is a statistical summary of the oil and gas operations of this Company and its wholly owned subsidiary. This statement also

THE CROW'S NEST PASS COAL COMPANY, LIMITED

shows annual income from oil and gas operations from inception to 1961. The Company did not participate in the acquisition of proven oil or gas lands during the year.

With respect to the title to the oil and gas rights on the Company lands, the Supreme Court of Canada ruled against the Company and in favor of the Crown. However, your Company by prior agreement had contracted with a major oil company to take a 30% interest in Crown reservations, covering a major part of the Company lands and certain adjacent areas. The acreage involved is 383,560 acres. It is anticipated that a well will be drilled on these lands this year.

EMPLOYEES

Under the wage agreement between District 18, United Mine Workers of America and this Company, which became effective on July 3, 1960, wage rates were increased on July 3, 1961. This agreement expires on July 3, 1962.

During the year the Directors approved a formal pension and group life insurance plan for all employees of the Company who are not covered by a union pension plan.

The plan, which is contributory, generally follows established practice and recognizes and provides for benefits in relation to both past and future services of our staff.

STOCK OPTIONS

During the year options were granted to executive employees for a total of 3,500 shares of a par value of \$10 each at market or bid price of the Toronto Stock Exchange at or nearest to the date of granting of the options.

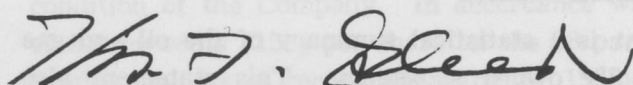
OPTION — COLUMBIA IRON MINING COMPANY

In compliance with the terms of the above option, Columbia Iron Mining Company maintained an active geological and exploration program on Company lands during 1961, and this is being continued in 1962.

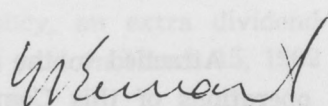
CONCLUSION

All plants and equipment are being well maintained and are in excellent condition.

By order of the Board of Directors.



Chairman.



President.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

AUDITORS' REPORT

To the Shareholders of

The Crow's Nest Pass Coal Company, Limited.

We have examined the consolidated balance sheet of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies as at December 31, 1961 and the consolidated statement of profit and loss and earned surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies at December 31, 1961 and the results of their operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in practice concerning depletion of productive oil properties as explained in Note 1 with which change we concur.

Calgary, Alberta.

March 1, 1962.

CLARKSON, GORDON & CO.,

Chartered Accountants.

THE CROW'S NEST PASS CO

(Incorporated under the

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1961

(with comparative figures for 1960)

ASSETS

CURRENT:

	1961	1960
Cash -----	\$ 529,941	\$ 562,348
Government of Canada bonds at cost, market value \$660,609 (1960 - \$908,734) --	689,507	973,132
Accounts receivable -----	1,009,426	763,989
Accrued interest receivable -----	5,752	7,431
Inventories valued at the lower of cost or market -----	963,163	920,681
Prepaid expenses -----	34,435	61,710
Total current assets -----	<u>\$ 3,232,224</u>	<u>\$ 3,289,291</u>

INVESTMENTS AT COST:

Market value \$2,086,725 (1960 - \$825,000) -----	<u>\$ 1,181,658</u>	<u>\$ 897,596</u>
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FIXED — (Notes 1 and 2):

Mines, real estate, plant and equipment less accumulated depreciation of \$11,557,404 (1960 - \$11,179,373) -----	\$ 4,156,397	\$ 3,529,634
Petroleum and natural gas interests —		
Acquisition cost of properties less depletion of \$65,081 (1960 - Nil) -----	1,187,845	1,252,925
Production equipment less accumulated depreciation of \$428,987 (1960 - \$385,178) -----	713,714	748,029
Development costs, \$2,280,804 (1960 - \$2,188,001) less amounts written off -----	1	1
	<u>\$ 6,057,957</u>	<u>\$ 5,530,589</u>

OTHER:

Mortgages receivable -----	\$ 13,552	\$ 23,908
Refundable deposits -----	120,219	108,068
Deferred expenses -----	367,663	13,675
	<u>\$ 501,434</u>	<u>\$ 145,651</u>
	<u>\$10,973,273</u>	<u>\$ 9,863,127</u>

See accompanying notes to consolidated financial statements.

COAL COMPANY, LIMITED

under the laws of Canada)

SUBSIDIARY COMPANIES

BALANCE SHEET

March 31, 1961

(Some figures for 1960)

LIABILITIES

CURRENT:	1961	1960
Accounts payable and accrued charges -----	\$ 682,705	\$ 334,272
Income and other taxes payable -----	60,952	106,437
Dividend payable — March 15, 1962 -----	115,253	92,157
Total current liabilities -----	<u>\$ 858,910</u>	<u>\$ 532,866</u>

ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS

(Note 3) -----	<u>\$ 575,409</u>	<u>\$ 139,569</u>
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SHAREHOLDERS' EQUITY:

Capital (Note 4) —

Authorized—1,250,000 shares of \$8 par value each

Issued — 776,850 shares (1960 - 621,180 shares) ----- \$ 6,215,667 \$ 6,212,667

Paid-in surplus ----- 1,875 —

Surplus allocated for emergency and capital expenditures ----- 1,200,000 1,200,000

Earned surplus ----- 2,179,863 1,836,476

\$ 9,597,405 \$ 9,249,143

Less shares of parent owned by subsidiaries at cost ----- 58,451 58,451

\$ 9,538,954 \$ 9,190,692

On behalf of the Board:

F. D. PRATT, Director.

C. A. ECKART, Director.

\$10,973,273

\$ 9,863,127

Consolidated financial statements

THE CROW'S NEST PASS COAL COMPANY, LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1961

(with comparative figures for 1960)

	1961	1960
Operating profit before the following deductions -----	\$ 2,207,481	\$ 1,642,107
Executive Officers' salaries -----	\$ 85,417	\$ 74,600
Counsel and legal fees -----	58,296	13,256
Directors' fees -----	4,000	4,000
Depreciation and depletion -----	569,044	527,547
Exploration and development expenditures written off -----	92,804	35,035
	<u>\$ 809,561</u>	<u>\$ 654,438</u>
	\$ 1,397,920	\$ 987,669
Interest and other income -----	117,803	54,010
Profit before income taxes -----	\$ 1,515,723	\$ 1,041,679
Income taxes (Note 3) -----	688,365	419,476
	<u>\$ 827,358</u>	<u>\$ 622,203</u>
Net profit for the year -----	\$ 827,358	\$ 622,203
Earned surplus, beginning of year -----	1,836,476	1,675,058
	<u>\$ 2,663,834</u>	<u>\$ 2,297,261</u>
Less dividends paid or payable (75c per share) -----	483,971	460,785
Earned surplus, end of year -----	<u>\$ 2,179,863</u>	<u>\$ 1,836,476</u>

See accompanying notes to consolidated financial statements.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

STATEMENT OF PAID-IN SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1961

Excess of proceeds of sales of shares during the year over par value thereof
 representing balance of paid-in surplus at December 31, 1961 ----- \$ 1,875

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1961

Source of Funds

Operations —		
Net profit for the year -----	\$ 827,358	
Depreciation and depletion -----	569,044	
Income tax reductions applicable to future years -----	435,840	\$ 1,832,242
Mortgage repayments -----	10,356	
Exercise of common share options -----	4,875	15,231
		<u>\$ 1,847,473</u>

Application of Funds

Expenditures on plant and equipment -----	\$ 1,096,412	
Strip mining prepayments -----	353,988	
Purchase of shares of other companies -----	284,062	
Deposits -----	12,151	
Dividends to shareholders -----	483,971	2,230,584
		<u>2,230,584</u>
Decrease in working capital -----		<u>\$ 383,111</u>

See accompanying notes to consolidated financial statements.

**THE CROW'S NEST PASS COAL COMPANY, LIMITED
AND WHOLLY OWNED SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1961

1. Accounting practices:

The companies have followed the practice of charging exploration expenses, carrying charges on properties and the drilling costs of wells against income as incurred. Expenditures on productive wells during 1961 were not material in amount.

In prior years, no provision was made for depletion of productive oil properties. Effective January 1, 1961 the companies changed their practice and commenced providing for depletion of productive oil properties on the unit of production method based on estimated reserves of oil.

Based on the Company's estimate of recoverable reserves of coal, a charge for depletion would be immaterial in amount and accordingly no provision for depletion of coal properties is included in the accounts.

Depreciation of fixed assets is provided on the reducing balance method at rates designed to amortize the costs of these assets over their estimated useful life.

2. Fixed assets:

Columbia Iron Mining Company, a subsidiary of United States Steel Corporation, has been granted an option exercisable to May 1, 1964 to purchase either a substantial portion of the Company's coal lands for a net consideration of \$10,000,000 or all of the company's coal lands and properties for a net consideration of \$17,000,000. In the event that Columbia exercises the latter privilege, the Company will cease its coal mining operations and Columbia covenants to continue to supply the Company's existing customers for a period of ten years.

Fixed assets are carried at cost, or, in the case of certain assets owned by two of the subsidiaries, at the values at which they were appraised in 1943, which is less than cost.

3. Income taxes:

The income taxes payable in respect of 1961 amount to \$252,525. The difference of \$435,840 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation charged in the companies' accounts. This difference is applicable to those future years in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated tax reductions applicable to future years."

4. Capital stock:

By Supplementary Letters Patent dated December 29, 1961, the Company changed its authorized share capital from 1,000,000 shares of a par value of \$10 each to 1,250,000 shares of a par value of \$8 each.

24,625 shares of the Company's capital stock have been reserved under a stock option plan. Options have been granted under the plan to officers of the Company to purchase 14,875 shares of capital stock at prices ranging from \$12.00 to \$18.60 per share. The options are exercisable in annual instalments on a cumulative basis while in the employ of the company.

During the year 300 shares of a par value of \$10 each were issued for a cash consideration of \$4,875. Of this amount, \$3,000 was credited to share capital account and the balance to paid-in surplus.

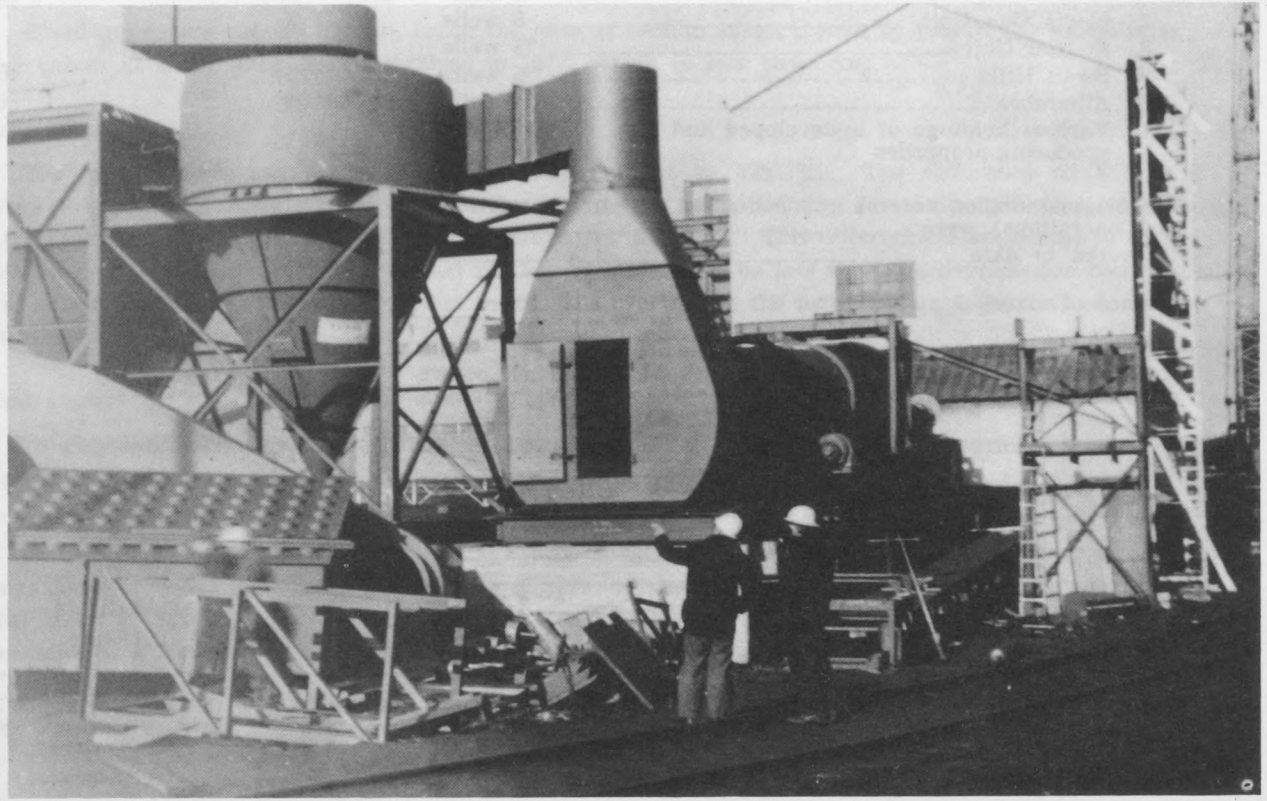
Statistical Summary of Oil and Gas Operations From Inception to December 31, 1961

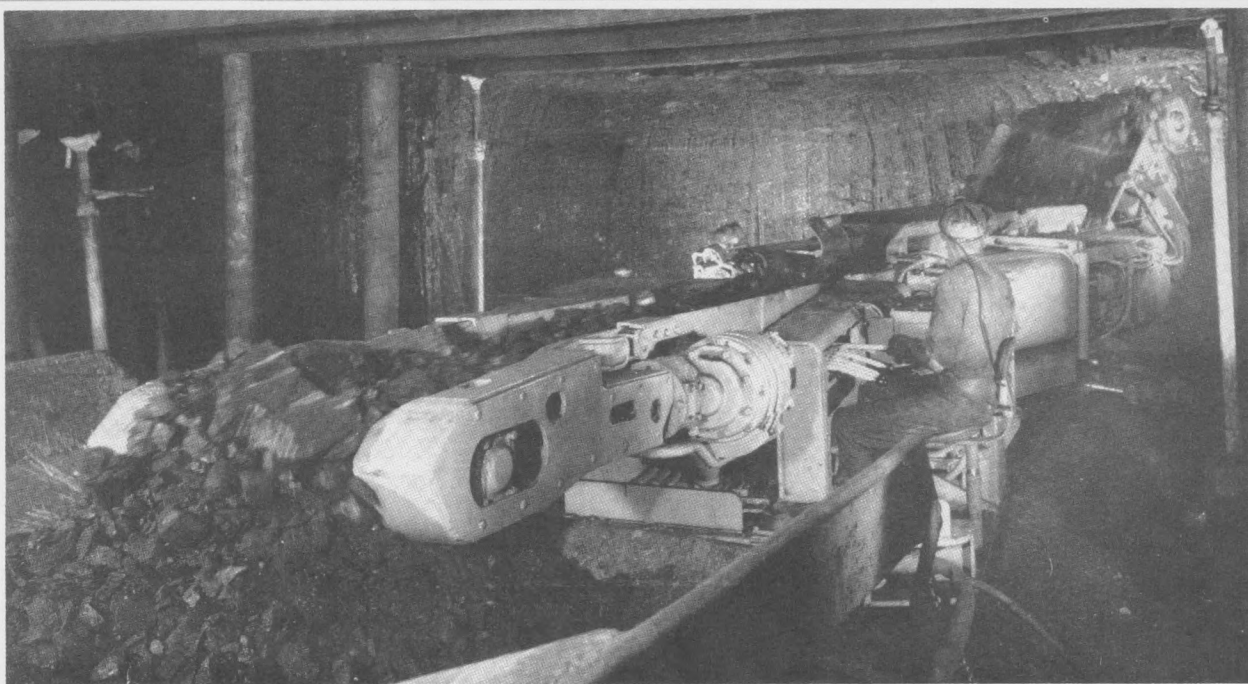
	The Crow's Nest Pass Coal Company Limited	The Crow's Nest Pass Oil & Gas Company Limited	Total
We have expended to December 31, 1961 —			
On acquisition of oil and gas properties -----	\$ 1,239,500	\$ 13,425	\$ 1,252,925
On drilling and development -----	1,463,505	817,299	2,280,804
On plant and equipment -----	808,402	334,299	1,142,701
	<u>\$ 3,511,407</u>	<u>\$ 1,165,023</u>	<u>\$ 4,676,430</u>
Balance of plant and equipment available for Capital Cost allow- ance under the Income Tax Act -----	\$ 347,376	\$ 90,089	\$ 437,465
Balance of drilling and development available for write-off under the Income Tax Act -----	nil	nil	nil
For this expenditure we have acquired net percentage interests as shown:			
1. Pembina-Buck Lake Area -----188 wells	2.953 %	3.375 %	6.328 %
2. Pembina-Buck Lake Area -----5 wells	1.969 %	2.250 %	4.219 %
3. Section 13 Buck Creek Unit -----8 wells	10. %		10. %
4. Minnehik Gas -----2 wells	1.477 %	1.688 %	3.164 %
5. North Pembina Cardium Unit No. 1 -----564 wells	.14502%		.14502%
6. Burbank Joffre Area -----19 wells	20. %		20. %
	1 well	15. %	15. %
7. Nevis Gas Unit -----8 wells	.6587 %		.6587 %
8. Stettler Unit -----75 wells		.26737%	.26737 %
9. Swan Hills -----6 wells	10. %		10. %
10. Alhambra -----1 well	6.666 %		6.666 %
11. Various holdings of undeveloped and non- producing properties			
Our original drilled reserve (as estimated by our associates in oil operations) were -----	bbls 4,648,854	bbls. 3,252,506	bbls. 7,901,360
Recovered to date -----	1,124,545	730,234	1,854,779
Balance of reserves at December 31, 1961 -----	<u>3,524,309</u>	<u>2,522,272</u>	<u>6,046,581</u>
Our Net Income after deduction of operating expenses but before write-off of drilling and development, depletion and depreciation amounted to:			
1955 and prior -----	\$ 132,546	\$ 165,338	\$ 297,884
1956 -----	321,036	290,031	611,067
1957 -----	348,536	219,168	567,704
1958 -----	312,995	166,221	479,216
1959 -----	294,863	163,901	458,764
1960 -----	319,487	146,415	465,902
1961 -----	333,266	158,881	492,147
	<u>\$ 2,062,729</u>	<u>\$ 1,309,955</u>	<u>\$ 3,372,684</u>



Michel Colliery

Drying Section of New Preparation Plant Facilities





Joy ICM Continuous Mining Unit

Exploration on Company Lands by Columbia Iron Mining Company



B45947



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